

**MARION PUBLIC SCHOOLS**

**MARION, MICHIGAN**

**JUNE 30, 2006**

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2006

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134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

*Baird, Cotter and Bishop, P.C.*

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE,  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER., C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

July 19, 2006

INDEPENDENT AUDITORS' REPORT

Board of Education  
Marion Public Schools  
Marion, Michigan

We have audited the accompanying financial statements of the governmental activities each major fund and the aggregate remaining fund information of Marion Public Schools, Marion, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Districts basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marion Public Schools' management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, the governmental activities, each major fund, and the aggregate remaining fund information of Marion Public Schools, Marion, Michigan, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2006, on our consideration of Marion Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion Public Schools, Marion, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information found on pages 26 through 67 are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

Marion Public Schools, a K-12 school district located in Osceola and Clare Counties, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Marion Public Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

**A. Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds which include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**B. Government-wide Financial Statements**

This report includes government-wide statements as required by GASB statement number 34. The government-wide financial statements are designed to provide a broad overview of the district's financial position. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The District's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as all debt of the District.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

**C. Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30:

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current Assets	\$ 5,363,267	\$ 2,671,195
Non Current Assets		
Capital Assets	8,802,603	7,936,521
Less Accumulated Depreciation	<u>(2,981,115)</u>	<u>(2,718,411)</u>
 Total Non Current Assets	 <u>5,821,488</u>	 <u>5,218,110</u>
 Total Assets	 <u><u>\$ 11,184,755</u></u>	 <u><u>\$ 7,889,305</u></u>
 <b>Liabilities</b>		
Current Liabilities	\$ 1,855,879	\$ 1,286,939
Non Current Liabilities	<u>5,736,761</u>	<u>3,660,777</u>
 Total Liabilities	 <u>7,592,640</u>	 <u>4,947,716</u>
 <b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	15,552	1,579,461
Restricted for Debt Service	182,710	143,816
Restricted for Capital Projects	1,625,319	34,027
Unrestricted	<u>1,768,534</u>	<u>1,184,285</u>
 Total Net Assets	 <u>3,592,115</u>	 <u>2,941,589</u>
 Total Liabilities and Net Assets	 <u><u>\$ 11,184,755</u></u>	 <u><u>\$ 7,889,305</u></u>

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2006, the District's net assets increased by \$650,526. A few of the more significant factors affecting net assets during the year are discussed below:

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MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2006, \$293,864 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2006, \$897,242 of expenditures was capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

**3. Payment of Long-Term Liabilities**

During the year ending June 30, 2006, the District increased its long-term liabilities by \$2,301,637.

**E. Results of Operations**

For the fiscal year ended June 30, the results of operations, on a District-wide basis, were:

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<b>General Revenues</b>				
Property Taxes	\$1,384,561	20.25%	\$ 1,283,173	19.06%
Investment Earnings	97,918	1.43%	16,408	0.24%
State Sources	3,607,456	52.77%	3,874,202	57.57%
Donations	650	0.01%	74,350	1.10%
Other	27,576	0.41%	114,430	1.70%
	<hr/>		<hr/>	
Total General Revenues	<u>5,118,161</u>	<u>74.87%</u>	<u>\$ 5,362,563</u>	<u>79.67%</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<b>Program Revenues</b>				
Charges for Services	\$ 105,927	1.55%	\$ 112,839	1.68%
Operating Grants	1,611,921	23.58%	1,255,242	18.65%
<b>Total Program Revenues</b>	<b>\$1,717,848</b>	<b>25.13%</b>	<b>\$ 1,368,081</b>	<b>20.33%</b>
<b>Total Revenues</b>	<b>6,836,009</b>	<b>100.00%</b>	<b>\$ 6,730,644</b>	<b>100.00%</b>
<b>Expenses</b>				
Instruction	\$3,168,374	51.23%	\$ 3,363,229	51.54%
Supporting Services	2,085,665	33.72%	1,953,328	29.94%
Food Service	219,542	3.54%	209,425	3.21%
Athletic Activities	158,924	2.57%	158,892	2.44%
Interest on Long-Term Debt	181,146	2.93%	175,213	2.68%
Capital Projects	40,242	0.65%	341,621	5.23%
Other Transactions	37,726	0.61%	3,262	0.05%
Unallocated Depreciation	293,864	4.75%	320,138	4.91%
<b>Total Expenses</b>	<b>\$6,185,483</b>	<b>100.00%</b>	<b>\$ 6,525,108</b>	<b>100.00%</b>
<b>Change in Net Assets</b>	<b>\$ 650,526</b>		<b>\$ 205,536</b>	

**F. Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2005-2006 fiscal year, the District levied \$1,083,000 in non-homestead property taxes.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

The following table summarizes the non-homestead property tax levies for operations for the past three years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>
2005-2006	\$ 1,083,000
2004-2005	\$ 1,002,659
2003-2004	\$ 950,411

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count, plus blended counts from the two previous years. For the 2005-2006 fiscal year, the District received \$6,875 per student FTE.

**3. Student Enrollment**

The following schedule summarizes the blended student enrollment for the past three fiscal years:

<u>Fiscal Year</u>	<u>Blended Student FTE</u>
2005-2006	707
2004-2005	756
2003-2004	756

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2006, federal, state, and other grants accounted for \$1,611,921.

**5. 2006 Refunding Bond Issue**

The District refunded a portion of its 2005 School Building and Site Bonds in January 2006 to save a substantial amount in interest payments.

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Total Revenues	<u>\$5,822,724</u>	<u>\$6,474,070</u>	<u>\$6,231,390</u>	<u>\$ (242,680)</u>
<b><u>EXPENDITURES</u></b>				
Instruction	\$3,160,171	\$3,328,184	\$3,251,815	\$ (76,369)
Supporting Services	2,474,184	2,385,264	2,222,139	(163,125)
Other Transactions	<u>19,500</u>	<u>37,905</u>	<u>29,977</u>	<u>(7,928)</u>
Total Expenditures	<u>\$5,653,855</u>	<u>\$5,751,353</u>	<u>\$5,503,931</u>	<u>\$ (247,422)</u>

The total expenditures variance of \$(247,422) is 4.30% of total budgeted expenditures.

## **H. Capital Asset and Debt Administration**

### **1. Capital Assets**

At June 30, 2006, the District has \$8,802,603 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$866,082 over the prior fiscal year. Depreciation expense for the year amounted to \$293,864, bringing the accumulated depreciation to \$2,981,115 as of June 30, 2006.

### **2. Long-Term Debt**

At June 30, 2006, the District had \$5,938,649 in bonded debt outstanding. This represents an increase of \$2,300,000 from the amount outstanding at the close of the prior fiscal year. Also, during the year the District borrowed \$2,365,000 for School Building and Site Bonds and \$1,410,000 for refunding bonds. These balances are still outstanding at June 30, 2006.

## **I. Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2006

With the current economic environment in the State of Michigan and its effect on public schools, uncertainty surrounds the level at which districts will be funded by the student foundation allowance for the 2006-2007 school year. Yet, budgets must be set, and we have used our best estimate in establishing the budget for the upcoming school year. This concern, poses a challenge in regard to staffing issues, while striving to continue appropriate educational programming.

Infrastructure concerns are another challenge for the district. Like many other school districts in Michigan, work on updating and maintaining our school buildings has been deferred for several years. This includes equipment in our buildings that are becoming a safety issue. These needs are being addressed by the passage of the 2006 bond issue.

Health insurance and retirement rates continue to rise. The State of Michigan has continued to pass costs for retirement to the local districts, with very little additional funding increases in our foundation allowance. Health insurance is an issue that must be addressed in order to provide decent health care for our employees, yet maintain the integrity and viability for our school system now and into the future.

Marion Public Schools is working hard to face these challenges.

**J. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Marion Public Schools, 501 W. Main Street, Marion, Michigan 49665.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

ASSETS

CURRENT ASSETS

Cash	\$ 934,315
Taxes Receivable	1,118
Interest Receivable	28,688
Inventories	3,897
Due from Other Governmental Units	929,440
Investments	3,465,809
Total Current Assets	5,363,267

NON CURRENT ASSETS

Capital Assets	8,802,603
Less Accumulated Depreciation	(2,981,115)
Total Non Current Assets	5,821,488

TOTAL ASSETS \$ 11,184,755

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 697,444
Retainage Payable	41,515
Due to Other Governments	374
Accrued Interest Payable	58,591
Salaries Payable	298,445
Note Payable	500,000
Deferred Revenue	51,200
Current Portion of Non Current Liabilities	208,310
Total Current Liabilities	1,855,879

NON CURRENT LIABILITIES

Bonds Payable (Net of Deferred Charges of \$169,177)	5,769,472
Water Connection Loan	75,113
Compensated Absences	100,486
Less Current Portion of Non Current Liabilities	(208,310)
Total Non Current Liabilities	5,736,761
Total Liabilities	7,592,640

NET ASSETS

Invested in Capital Assets Net of Related Debt	15,552
Restricted for Debt Service	182,710
Restricted for Capital Projects	1,625,319
Unrestricted	1,768,534
Total Net Assets	3,592,115
TOTAL LIABILITIES AND NET ASSETS	\$ 11,184,755

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 2,580,582	\$ 10,682	\$ 502,915	\$ (2,066,985)
Added Needs	587,792	0	770,758	182,966
Supporting Services				
Pupil	115,595	0	25,388	(90,207)
Instructional Staff	422,306	0	135,640	(286,666)
General Administration	255,941	0	0	(255,941)
School Administration	343,863	0	0	(343,863)
Business	89,109	0	0	(89,109)
Operation and Maintenance of Plant	464,797	0	19,998	(444,799)
Pupil Transportation Services	392,532	0	0	(392,532)
Community Activities	1,522	0	0	(1,522)
Food Service Activities	219,542	50,682	157,222	(11,638)
Athletic Activities	158,924	44,563	0	(114,361)
Interest on Long Term Debt	181,146	0	0	(181,146)
Capital Projects	40,242	0	0	(40,242)
Other Transactions	37,726	0	0	(37,726)
Unallocated Depreciation	293,864	0	0	(293,864)
Total Governmental Activities	<u>\$ 6,185,483</u>	<u>\$ 105,927</u>	<u>\$ 1,611,921</u>	<u>(4,467,635)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,083,000
Property Taxes - Debt Service				301,561
Investment Earnings				97,918
State Sources				3,607,456
Other				28,226
Total General Revenues				<u>5,118,161</u>
Change in Net Assets				650,526
<u>NET ASSETS</u> - Beginning of Year				<u>2,941,589</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 3,592,115</u>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2006

	GENERAL FUND	2006 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 675,290	\$ 0	\$ 259,025	\$ 934,315
Taxes Receivable	492	0	626	1,118
Interest Receivable	0	28,688	0	28,688
Due from Other Funds	7,143	0	0	7,143
Inventory	0	0	3,897	3,897
Due from Other Governmental Units	929,440	0	0	929,440
Investments	1,371,458	2,094,273	78	3,465,809
<b>TOTAL ASSETS</b>	<b>\$2,983,823</b>	<b>\$2,122,961</b>	<b>\$ 263,626</b>	<b>\$ 5,370,410</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 241,275	\$ 456,127	\$ 42	\$ 697,444
Retainage Payable	0	41,515	0	41,515
Due to Other Funds	0	0	7,143	7,143
Due to Other Governments	374	0	0	374
Note Payable	500,000	0	0	500,000
Salaries Payable	298,445	0	0	298,445
Deferred Revenue	51,200	0	0	51,200
<b>Total Liabilities</b>	<b>1,091,294</b>	<b>497,642</b>	<b>7,185</b>	<b>1,596,121</b>
<u>FUND BALANCES</u>				
Reserved for Inventory	0	0	3,897	3,897
Reserved for Debt Retirement	0	0	241,301	241,301
Reserved for Capital Projects	0	1,625,319	0	1,625,319
Designated for Millie Jones Expenditures	61,906	0	0	61,906
Designated for Long-Term Liabilities	175,000	0	0	175,000
Designated for Food Service - (Deficit)	0	0	(5,461)	(5,461)
Designated for Athletic Activities	0	0	16,704	16,704
Unreserved, Undesignated	1,655,623	0	0	1,655,623
<b>Total Fund Balances</b>	<b>1,892,529</b>	<b>1,625,319</b>	<b>256,441</b>	<b>3,774,289</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$2,983,823</b>	<b>\$2,122,961</b>	<b>\$ 263,626</b>	<b>\$ 5,370,410</b>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2006

Total Governmental Fund Balances		\$ 3,774,289
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	8,802,603	
Accumulated depreciation is	<u>(2,981,115)</u>	5,821,488
Long-term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable	(5,938,649)	
Water Connection Loan	(75,113)	
Compensated Absences	(100,486)	
Bond Discount	35,780	
Bond Deferred Loss on Refunding	83,691	
Amortization of Bond Deferred Loss on Refunding	(5,579)	
Bond Issuance Cost on Refunding	60,829	
Amortization of Bond Issuance Cost on Refunding	<u>(5,544)</u>	(5,945,071)
Accrued interest is not included as a liability in government funds, it is recorded when paid		<u>(58,591)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u><u>\$ 3,592,115</u></u></b>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	GENERAL FUND	2006 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 1,169,235	\$ 41,668	\$ 398,916	\$ 1,609,819
State Sources	4,031,830	0	15,828	4,047,658
Federal Sources	702,726	0	145,642	848,368
Other Transactions	327,599	0	0	327,599
Total Revenues	<u>6,231,390</u>	<u>41,668</u>	<u>560,386</u>	<u>6,833,444</u>
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	2,656,658	0	0	2,656,658
Added Needs	595,157	0	0	595,157
Supporting Services				
Pupil	115,595	0	0	115,595
Instructional Staff	433,170	0	0	433,170
General Administration	257,745	0	0	257,745
School Administration	345,097	0	0	345,097
Business	89,270	0	0	89,270
Operation and Maintenance	465,991	0	0	465,991
Pupil Transportation Services	513,749	0	0	513,749
Community Activities	1,522	0	0	1,522
Food Service Activities	0	0	238,094	238,094
Athletic Activities	0	0	158,924	158,924
Debt Service				
Principal	0	0	150,000	150,000
Interest	0	0	153,774	153,774
Capital Projects	0	655,304	37,552	692,856
Other Transactions	29,977	32,120	29,859	91,956
Total Expenditures	<u>5,503,931</u>	<u>687,424</u>	<u>768,203</u>	<u>6,959,558</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	727,459	(645,756)	(207,817)	(126,114)
<u>OTHER FINANCING SOURCES (USES)</u>				
Bonds Issued	0	2,365,000	1,410,000	3,775,000
Payment to Bond Refunding Escrow Agent	0	0	(1,408,691)	(1,408,691)
Bond Discount	0	(21,680)	(14,100)	(35,780)
Sale of Capital Assets	2,565	0	0	2,565
Transfers In	0	0	252,348	252,348
Transfers Out	(180,103)	(72,245)	0	(252,348)
Total Other Financing Sources (Uses)	<u>(177,538)</u>	<u>2,271,075</u>	<u>239,557</u>	<u>2,333,094</u>
Net Change in Fund Balance	549,921	1,625,319	31,740	2,206,980
<u>FUND BALANCE</u> - Beginning of Year	<u>1,342,608</u>	<u>0</u>	<u>224,701</u>	<u>1,567,309</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,892,529</u>	<u>\$ 1,625,319</u>	<u>\$ 256,441</u>	<u>\$ 3,774,289</u>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Net change in Fund Balances Total Governmental Funds \$ 2,206,980

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(293,864)
Capital Outlay	897,242

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	31,219
Accrued Interest Payable - End of Year	(58,591)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

Bond Proceeds	(3,775,000)
Defeasance of Debt	1,325,000
Bond Discount	35,780
Bond Issuance Cost on Refunding	60,829
Amortization of Bond Issuance Cost on Refunding	(5,544)
Bond Deferred Loss on Refunding	83,691
Amortization of Bond Deferred Loss on Refunding	(5,579)
Repayment of Bond Principal	150,000
Repayment of Principal on Long-Term Debt	1,834

Employees Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	97,015
Compensated Absences - End of Year	(100,486)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 650,526

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

<u>ASSETS</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
Cash	\$ 56,845	\$ 60,075
Interest Receivable	12,732	0
Scholarship Loans	80,860	0
Investments	<u>161,025</u>	<u>11,408</u>
 TOTAL ASSETS	 <u><u>\$ 311,462</u></u>	 <u><u>\$ 71,483</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
 <u>LIABILITIES</u>		
Due to Groups and Organizations	\$ 0	\$ 71,483
 <u>NET ASSETS</u>		
Reserved for		
Endowments	28,589	0
Student Loans	280,152	0
Student Scholarships	<u>2,721</u>	<u>0</u>
 Total Net Assets	 <u>311,462</u>	 <u>0</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 311,462</u></u>	 <u><u>\$ 71,483</u></u>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2006

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	<u>\$        11,127</u>
<u>DEDUCTIONS</u>	
Scholarships	1,158
Bank Charges	<u>380</u>
Total Deductions	<u>1,538</u>
Changes in Net Assets	9,589
<u>NET ASSETS</u> - Beginning of Year	<u>301,873</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$        311,462</u></u>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Marion Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The School District is located in Osceola and Clare Counties with its administrative offices located in Marion, Michigan. The District operates under an elected 7-member board of education and provides services to its 707 students in elementary, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *GENERAL FUND* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2006 CAPITAL PROJECTS FUND* accounts for financial resources to be used for the acquisition of construction of major capital facilities.

**Other Non-Major Funds**

The *SPECIAL REVENUE FUNDS* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *CAPITAL PROJECTS FUNDS* account for financial resources to be used for the acquisition or construction of major capital facilities.

The *DEBT SERVICE FUNDS* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

**Fiduciary Funds**

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *PRIVATE PURPOSE TRUST FUND* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where the principal is considered to be either expendable or non-expendable and the earnings may be spent. These funds are not reported on the District financial statements as they are not used to support District operations or programs. The District currently accounts for three separate non-expendable trust funds and one expendable trust fund.

The *AGENCY FUND* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005, and blended with the previous two years counts. For fiscal year ended June 30, 2006, the per pupil foundation allowance was \$6,875 for Marion Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit with original maturities of one year or less.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- (g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund – Non-homestead	18.0000
2000 Debt Retirement Fund – Homestead and non-homestead	0.6000
2000 Refunding Debt Retirement Fund – Homestead and non-homestead	1.6000
2006 Refunding Debt Retirement Fund – Homestead and non-homestead	0.4000

MARION PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. In the General Fund, the School District considers all supplies to be consumed when acquired and any inventories on hand at year-end are considered to be immaterial. The food service inventory consists of U.S.D.A. commodities and other food products held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	25 - 50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$1,000.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. For bonds issued after the implementation of GASB 34, the following apply: Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt

MARION PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the District.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.

4. The superintendent is charged with general supervision of the budgets and shall hold the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 30, 2005, or as amended by the School Board of Education on October 10, 2005, March 13, 2006, May 8, 2006 and June 26, 2006.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds:

School Service Fund – Food Service Fund expenditures of \$238,094 exceeded appropriations of \$235,262 by \$2,832.

Also, the Pupil Functions in the General Fund exceeded appropriations by \$2,409.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments – Credit Risk**

The District's deposits and investments are all on deposit with Citizens Bank within the State of Michigan and Michigan School District Liquid Asset Fund Plus.

The District does not have a formal Investment Policy that addresses investment rate risk, foreign currency risk, credit risk, concentration of credit risk or custodial credit risk.

Deposits

At year-end, the carrying amount of the District's deposits was \$1,051,235. The bank balance was \$703,645 of which \$465,324 was covered by federal depository insurance and \$238,321 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name.

Investments not subject to categorization:

Investment Trust Funds \$ 3,638,242

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2006, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Cash	\$ 934,315	\$ 116,920	\$ 1,051,235
Investments	3,465,809	172,433	3,638,242
	<u>\$ 4,400,124</u>	<u>\$ 289,353</u>	<u>\$ 4,689,477</u>

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General	2006 Capital Projects Fund	Nonmajor and Other Funds	Total
Receivables				
Taxes	\$ 492	\$ 0	\$ 626	\$ 1,118
Scholarship Loans and Interest Receivable	0	28,688	93,592	122,280
Other Governmental Units	929,440	0	0	929,440
Total Receivables	<u>\$929,932</u>	<u>\$ 28,688</u>	<u>\$ 94,218</u>	<u>\$1,052,838</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grant Receipts Received, But Not Yet Utilized	\$ 0	\$ 51,200

**C. Capital Assets**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 56,817	\$ 0	\$ 0	\$ 56,817
Construction in Progress	0	655,304	0	655,304
Total Capital assets, not being depreciated	<u>56,817</u>	<u>655,304</u>	<u>0</u>	<u>712,121</u>
Capital assets, being depreciated:				
Books	144,086	96,028	15,477	224,637
Buildings	3,436,495	0	0	3,436,495
Buses	582,127	119,801	0	701,928
Equipment and Furniture	1,997,465	26,109	15,683	2,007,891
Improvements	1,669,368	0	0	1,669,368
Other Vehicles	50,163	0	0	50,163
Total Capital assets, being depreciated	<u>7,879,704</u>	<u>241,938</u>	<u>31,160</u>	<u>8,090,482</u>
Less accumulated depreciation for:				
Books	86,963	18,371	15,477	89,857
Buildings	1,128,314	55,015	0	1,183,329
Buses	459,810	32,209	0	492,019
Equipment and Furniture	798,320	100,978	15,683	883,615
Improvements	211,647	82,058	0	293,705
Other Vehicles	33,357	5,233	0	38,590
Total Accumulated depreciation	<u>2,718,411</u>	<u>293,864</u>	<u>31,160</u>	<u>2,981,115</u>
Total Capital assets, being depreciated, net	<u>5,161,293</u>	<u>(51,926)</u>	<u>0</u>	<u>5,109,367</u>
Governmental activities capital assets, net	<u>\$5,218,110</u>	<u>\$603,378</u>	<u>\$ 0</u>	<u>\$ 5,821,488</u>

Depreciation for the fiscal year ended June 30, 2006 amounted to \$293,864. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Self-Liquidating Bonds were issued by the State of Michigan in the name of the District as part of a state-wide lawsuit settlement.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2006:

	General Obligation Serial Bonds	Self Liquidating Bonds	Water Connection Loan	Compensated Absences Payable	Total
Balance July 1, 2005	\$ 3,600,000	\$ 38,649	\$ 76,947	\$ 97,015	\$ 3,812,611
Increase (Decrease)	2,300,000	0	(1,834)	3,471	2,301,637
Balance June 30, 2006	5,900,000	38,649	75,113	100,486	6,114,248
Less current portion	(190,000)	(16,430)	(1,880)	0	(208,310)
Total due after one year	\$ 5,710,000	\$ 22,219	\$ 73,233	\$ 100,486	\$ 5,905,938

At June 30, 2006, the School's Long-Term Debt consisted of the following:

General Obligation Serial Bonds

2000 refunding bonds due in annual installments of \$100,000 to \$105,000 through May 1, 2021, interest at 4.75% to 5.50% \$ 1,545,000

2000 school building and site bonds due in annual installments of \$40,000 to \$70,000 through May 1, 2010, interest at 5.00% to 5.100% 220,000

2005 energy conservation improvement bonds due in annual installments of \$15,000 to \$35,000 through May 1, 2020, interest at 3.70% to 4.95%. 360,000

2006 refunding bonds due in annual installments of \$10,000 to \$165,000 through May 1, 2020, interest at 3.25% to 4.00%. 1,410,000

2006 school building and site bonds due in annual installments of \$20,000 to \$400,000 through May 1, 2025, interest at 3.90% to 4.10% 2,365,000

Self-Liquidating Bonds

1998 Durant Settlement Bonds due in annual principal payments of \$3,344 to \$16,430 through May 15, 2013, interest at 4.070%. The funding for this payment to be provided by the State of Michigan through restricted State Aid 38,649

Water Connection Loan

\$78,734 loan from the Village of Marion dated March 1, 2005 to finance new water line connection at High School. Semi annual payments of \$1,873 including interest at 2.5% due March 1 and August 31 each year through March 1, 2034 75,113

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Compensated Absences Payable

Accumulated Sick and Vacation Pay	100,486
<b>TOTAL LONG-TERM DEBT</b>	<b><u><u>\$ 6,114,248</u></u></b>

The annual requirements to amortize debt outstanding as of June 30, 2006, including interest payments of \$2,865,786 are as follows:

Year ending June 30,	Principal	Interest	Amounts Payable
2007	\$ 208,310	\$ 298,647	\$ 506,957
2008	220,271	248,297	468,568
2009	235,455	238,333	473,788
2010	245,647	227,621	473,268
2011	255,845	216,366	472,211
2012-2016	1,459,196	909,246	2,368,442
2017-2021	1,797,673	560,570	2,358,243
2022-2026	1,564,349	163,751	1,728,100
2027-2031	16,247	2,483	18,730
2032-2034	10,769	472	11,241
	<u>6,013,762</u>	<u>2,865,786</u>	<u>8,879,548</u>
Compensated absences	100,486	0	100,486
	<u><u>\$6,114,248</u></u>	<u><u>\$2,865,786</u></u>	<u><u>\$8,980,034</u></u>

The annual requirements to amortize the accrued compensated absences are uncertain because it is unknown when the employees will use the benefit.

**E. Short-Term Debt**

On August 19, 2005 the District issued a State Aid Note in the amount of \$500,000. The note matures on August 18, 2006 with interest at 2.92%. The District has pledged its future State Aid revenue for payment of this liability at maturity. On August 19, 2005 the District repaid the prior year state aid borrowing of \$700,000. Interest expense on short-term debt for the year ended June 30, 2006, was \$14,319.

**F. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2006 were:

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 7,143	\$ 0
School Service Fund - Food Service Fund	0	6,578
2000 Debt Retirement Fund	0	138
2000 Refunding Debt Retirement Fund	0	347
2006 Refunding Debt Retirement Fund	0	80
	<hr/> <u>\$ 7,143</u>	<hr/> <u>\$ 7,143</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2006, were:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 180,103
School Service Fund - Athletic Activities	124,945	0
School Service Fund - Food Service Fund	19,066	0
2005 Energy Capital Projects Fund	3,438	0
2005 Energy Debt Fund	32,654	0
2006 Debt Retirement Fund	72,245	0
2006 Capital Projects Fund	0	72,245
	<hr/> <u>\$ 252,348</u>	<hr/> <u>\$ 252,348</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the School must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

**G. Designated and Reserved Fund Balance**

The School has designated the General Fund balance as follows:

1. Long-Term Liabilities

The contracts with teachers and non-teaching personnel have various provisions for the accumulation of sick pay. Upon retirement, if the employee has met certain contract provisions, the employee may receive a cash payment for the accumulated benefits. At June 30, 2006, the liability to the employees for accumulated sick leave and related fringe benefits is estimated at

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

\$100,486. As of June 30, 2006, the School has designated \$175,000 of its General Fund balance towards paying this and other future long-term obligations.

2. Millie Jones Expenditures

The District formed a Citizens Committee for determining how best to utilize the Millie Jones Donations. The Committee recommendations were approved by the board, and the unspent amount at June 30, 2006, of \$61,906 has been designated for those future uses.

**NOTE 4 – OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rule for the first quarter of the year ended June 30, 2006, was 14.87%, and for the last three quarters it was 16.34%. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2006, 2005 and 2004 were \$479,816, \$431,855 and \$500,916, respectively, and were equal to the required contribution for those years.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**B. Single Audit Report**

The School District is required to have an audit performed in accordance with the guidelines of the Single Audit Act of 1984, as amended. This audit is being performed and the reports based thereon will be issued under separate cover.

**C. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2006 or any of the prior three years.

**D. "Durant" Case Settlement**

The school district has accepted an offer made by the State of Michigan to all "non-plaintiff" school districts for a settlement of the "Durant" case which was a suit alleging underfunding by the State of Michigan for State mandated special education programs. Marion Public Schools will receive a total settlement from this case of \$120,994, and the State will pay it in the following manner:

- (a) 50% of the settlement (or \$60,497) will be paid to the District over a ten-year period beginning November 15, 1998. These funds are restricted and can be used only for school buses, electronic technology, instructional material and software, school security, textbooks, infrastructure or infrastructure improvement, training for technology, or to reduce or eliminate voter-approved debt that was issued prior to 11/19/97.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

- (b) 50% of the settlement (or \$60,497) was received by the District on November 24, 1998, from the proceeds of a bond issue from a Michigan Bond Authority bond program. These funds are being accounted for in the 1998 Durant Capital Projects Fund. Proceeds from the bonds may be used for any purpose specified in Section 1351a of the Revised School Code.

Debt service amounts for these bonds will be allocated annually to the District through restricted State Aid. The School District does not actually receive these funds. Instead, the District has arranged for the State of Michigan to make these disbursements directly to the bond holders from the restricted State Aid allocated to the District for this specific purpose.

**E. Lease Information**

The School District leases copy machines and digital duplicators. The total rental expense for the fiscal years ended June 30, 2006 and June 30, 2005, was \$9,793 and \$11,681 respectively. The future minimum payments are summarized below:

<u>YEAR-ENDING</u>	<u>AMOUNTS</u>
2007	\$ 11,560
2008	11,560
2009	7,244
2010	4,524
2011	<u>2,086</u>
	<u>\$ 36,974</u>

**F. Commitment**

The District has commitments for uncompleted architectural services and construction contracts totaling \$2,081,294 which will be paid from the 2006 Capital Projects Fund.

**G. 2006 Refunding Bonds**

On January 26, 2006, the District issued \$1,410,000 in General Obligation Bonds with interest rates of 3.25% to 4.00% to advance refund \$1,325,000 of outstanding 2000 Series Bonds with interest rates of 5.00% to 5.375%. As a result, \$1,325,000 of the 2000 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the non current liabilities of the District.

The District advance refunded a portion of the 2000 bond issue to reduce its total future debt service payments by \$62,373 and resulted in an economic gain of \$45,344.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET OVER (UNDER)
<u>REVENUES</u>				
Local Sources	\$ 1,057,488	\$ 1,375,482	\$ 1,169,235	\$ (206,247)
State Sources	4,024,841	4,030,677	4,031,830	1,153
Federal Sources	642,395	740,849	702,726	(38,123)
Other Transactions	98,000	327,062	327,599	537
Total Revenues	<u>5,822,724</u>	<u>6,474,070</u>	<u>6,231,390</u>	<u>(242,680)</u>
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	2,537,862	2,721,395	2,656,658	(64,737)
Added Needs	622,309	606,789	595,157	(11,632)
Supporting Services				
Pupil	100,658	113,186	115,595	2,409
Instructional Staff	406,079	468,598	433,170	(35,428)
General Administration	316,293	288,921	257,745	(31,176)
School Administration	359,528	364,892	345,097	(19,795)
Business	65,400	95,399	89,270	(6,129)
Operation and Maintenance	742,817	497,485	465,991	(31,494)
Pupil Transportation Services	475,909	553,662	513,749	(39,913)
Community Activities	7,500	3,121	1,522	(1,599)
Other Transactions	19,500	37,905	29,977	(7,928)
Total Expenditures	<u>5,653,855</u>	<u>5,751,353</u>	<u>5,503,931</u>	<u>(247,422)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>168,869</u>	<u>722,717</u>	<u>727,459</u>	<u>4,742</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Capital Assets	2,000	2,000	2,565	565
Transfers Out	(172,598)	(162,900)	(180,103)	(17,203)
Total Other Financing Sources (Uses)	<u>(170,598)</u>	<u>(160,900)</u>	<u>(177,538)</u>	<u>(16,638)</u>
Net Change in Fund Balance	(1,729)	561,817	549,921	(11,896)
<u>FUND BALANCE</u> - Beginning of Year	<u>820,079</u>	<u>820,079</u>	<u>1,342,608</u>	<u>522,529</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 818,350</u>	<u>\$ 1,381,896</u>	<u>\$ 1,892,529</u>	<u>\$ 510,633</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2006

	<u>SPECIAL</u> <u>REVENUE</u> <u>FUNDS</u>	<u>DEBT</u> <u>FUNDS</u>	<u>2005</u> <u>ENERGY</u> <u>CAPITAL</u> <u>PROJECTS</u>	<u>TOTAL</u> <u>NONMAJOR</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<u>ASSETS</u>				
Cash	\$ 17,785	\$ 241,240	\$ 0	\$ 259,025
Taxes Receivable	0	626	0	626
Inventory	3,897	0	0	3,897
Investments	78	0	0	78
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 21,760</u>	<u>\$ 241,866</u>	<u>\$ 0</u>	<u>\$ 263,626</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 42	\$ 0		\$ 42
Due to Other Funds	6,578	565	0	7,143
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>6,620</u>	<u>565</u>	<u>0</u>	<u>7,185</u>
<u>FUND BALANCE</u>				
Reserved for Inventory	3,897	0	0	3,897
Reserved for Debt Retirement	0	241,301	0	241,301
Unreserved; Designated for				
Food Service - (Deficit)	(5,461)	0	0	(5,461)
Athletic Activities	16,704	0	0	16,704
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>15,140</u>	<u>241,301</u>	<u>0</u>	<u>256,441</u>
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,760</u>	<u>\$ 241,866</u>	<u>\$ 0</u>	<u>\$ 263,626</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS	DEBT FUNDS	2005 ENERGY CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 95,286	\$ 303,543	\$ 87	\$ 398,916
State Sources	11,580	4,248	0	15,828
Federal Sources	145,642	0	0	145,642
Total Revenues	<u>252,508</u>	<u>307,791</u>	<u>87</u>	<u>560,386</u>
<u>EXPENDITURES</u>				
Food Service Activities	238,094	0	0	238,094
Athletic Activities	158,924	0	0	158,924
Debt Service				
Principal	0	150,000	0	150,000
Interest	0	153,774	0	153,774
Paying Agent Dues and Fees	0	1,150	0	1,150
Bond Issuance Costs	0	28,709	0	28,709
Capital Projects	0	0	37,552	37,552
Total Expenditures	<u>397,018</u>	<u>333,633</u>	<u>37,552</u>	<u>768,203</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(144,510)</u>	<u>(25,842)</u>	<u>(37,465)</u>	<u>(207,817)</u>
<u>OTHER FINANCING SOURCES</u>				
Transfers In	144,011	104,899	3,438	252,348
Bonds Issued	0	1,410,000	0	1,410,000
Payment to Bond Refunding Escrow Agent	0	(1,408,691)	0	(1,408,691)
Bond Discount	0	(14,100)	0	(14,100)
Total Other Financing Sources	<u>144,011</u>	<u>92,108</u>	<u>3,438</u>	<u>239,557</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>(499)</u>	<u>66,266</u>	<u>(34,027)</u>	<u>31,740</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>15,639</u>	<u>175,035</u>	<u>34,027</u>	<u>224,701</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 15,140</u>	<u>\$ 241,301</u>	<u>\$ 0</u>	<u>\$ 256,441</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	2006	2005
<u>ASSETS</u>		
Cash	\$ 675,290	\$ 450,382
Taxes Receivable	492	269
Due from Other Funds	7,143	2,897
Due from Other Governmental Units	929,440	1,081,822
Investments	1,371,458	886,447
 TOTAL ASSETS	 \$ 2,983,823	 \$ 2,421,817
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 241,275	\$ 148,298
Due to Other Funds	0	12,993
Due to Other Government	374	0
Note Payable	500,000	700,000
Salaries Payable	298,445	198,302
Deferred Revenue	51,200	19,616
 Total Liabilities	 1,091,294	 1,079,209
<u>FUND BALANCE</u>		
Unreserved		
Designated for Millie Jones Expenditures	61,906	139,656
Designated for Long Term Liabilities	175,000	175,000
Undesignated	1,655,623	1,027,952
 Total Fund Balance	 1,892,529	 1,342,608
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 2,983,823	 \$ 2,421,817

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 1,375,482	\$ 1,169,235	\$ 1,143,146
State Sources	4,030,677	4,031,830	4,346,263
Federal Sources	740,849	702,726	515,379
Other Transactions	327,062	327,599	195,795
	<hr/>	<hr/>	<hr/>
Total Revenues	6,474,070	6,231,390	6,200,583
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary	1,189,798	1,179,080	1,299,770
High School	1,412,376	1,381,977	1,208,129
Pre-Kindergarten	101,793	95,601	80,886
Summer School	17,428	0	8,659
Added Needs			
Special Education	328,263	324,354	363,573
Compensatory Education	278,526	270,803	442,928
Supporting Services			
Pupil			
Guidance	62,090	60,332	58,946
Other Pupil Services	51,096	55,263	62,238
Instructional Staff			
Improvement of Instruction	199,474	193,252	7,014
Educational Media Services	92,005	82,694	73,828
Technology Assisted Instruction	171,305	155,135	109,112
Other Instructional Staff Services	5,814	2,089	0
General Administration			
Board of Education	76,250	58,239	57,394
Executive Administration	212,671	199,506	207,368
School Administration			
Office of the Principal	364,892	345,097	456,472

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Business			
Fiscal Services	64,399	63,831	63,586
Other Business Services	31,000	25,439	14,682
Operations and Maintenance	497,485	465,991	547,861
Pupil Transportation Services	553,662	513,749	355,236
Other Support Services	0	0	18,500
Community Activities	3,121	1,522	0
Other Transactions	37,905	29,977	3,746
	<u>5,751,353</u>	<u>5,503,931</u>	<u>5,439,928</u>
Total Expenditures			
Excess of Revenues Over (Under)			
Expenditures	722,717	727,459	760,655
	<u>722,717</u>	<u>727,459</u>	<u>760,655</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Capital Assets	2,000	2,565	3,505
Transfers Out	(162,900)	(180,103)	(118,950)
	<u>(162,900)</u>	<u>(180,103)</u>	<u>(118,950)</u>
Total Other Financing Sources (Uses)	(160,900)	(177,538)	(115,445)
	<u>(160,900)</u>	<u>(177,538)</u>	<u>(115,445)</u>
Excess of Revenues Over (Under)			
Expenditures and Other Uses	561,817	549,921	645,210
	<u>561,817</u>	<u>549,921</u>	<u>645,210</u>
<u>FUND BALANCE</u> - Beginning of Year	820,079	1,342,608	697,398
	<u>820,079</u>	<u>1,342,608</u>	<u>697,398</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,381,896</u>	<u>\$ 1,892,529</u>	<u>\$ 1,342,608</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES  
YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>LOCAL SOURCES</u>		
Property Tax	\$ 1,083,000	\$ 1,003,159
Payment in Lieu of Taxes	0	11
Tuition	10,682	12,981
Earning on Investments and Deposits	54,140	14,712
Other Local Revenues		
Insurance Dividends/Refunds	13,733	26,130
Contributions	650	74,350
Miscellaneous	7,030	11,803
	1,169,235	1,143,146
 <u>STATE SOURCES</u>		
Grants-In-Aid Unrestricted		
State School Aid		
Foundation Allowance	3,698,807	3,930,790
Grants-In-Aid Restricted		
State School Aid		
At Risk Program	151,195	182,590
Special Education	96,578	150,707
Gifted and Talented	0	103
Durant	6,050	6,050
Early Childhood	79,200	72,600
Drivers Education	0	3,423
	4,031,830	4,346,263

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES  
YEAR ENDED JUNE 30,

	2006	2005
<u>FEDERAL SOURCES</u>		
Grants-In-Aid Restricted		
Received Through the State		
Reading First Grant	124,285	0
Title I	300,036	273,978
Title VI Rural Education Achievement Program	14,612	35,144
Improving Teacher Quality	75,722	72,545
Title V LEA Allocation	5,921	17,404
Technology Literacy Challenge Fund Grants	6,094	4,252
Comprehensive School Reform Demonstration	132,672	75,165
Drug Free Schools and Communities	4,261	3,355
Homeland Security	11,495	0
Received Through Intermediate School District		
Medicaid Outreach	3,128	5,822
Received Through Family Independence Agency		
Family Preservation and Support	24,500	20,495
Payments in Lieu of Taxes		
Bankhead-Jones Act	0	7,219
	702,726	515,379
 <u>OTHER TRANSACTIONS</u>		
Transfers from Other School Districts		
Intermediate School Districts		
Special Education	299,258	80,771
Transition Grant	19,491	18,881
Transportation	0	21,757
Medicaid Caseload Coordination	347	492
Other	8,503	0
Prior Year Adjustment	0	73,894
	327,599	195,795
Total Other Transactions	327,599	195,795
Total Revenues	6,231,390	6,200,583

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES  
YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>OTHER FINANCING SOURCES</u>		
Sale of Capital Assets	2,565	3,505
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 6,233,955</u>	<u>\$ 6,204,088</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30,

<u>INSTRUCTION</u>	2006	2005
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 683,889	\$ 779,172
Employee Benefits	371,468	417,094
Purchased Services	26,172	54,123
Supplies and Materials	97,551	48,016
Capital Outlay	0	1,365
Total Elementary	1,179,080	1,299,770
 <u>High School</u>		
Salaries	815,583	771,154
Employee Benefits	441,292	360,611
Purchased Services	37,268	23,541
Supplies and Materials	81,965	33,211
Capital Outlay	3,475	17,119
Other Expenses	2,394	2,493
Total High School	1,381,977	1,208,129
 <u>Pre-Kindergarten</u>		
Salaries	57,605	47,578
Employee Benefits	35,602	29,861
Purchased Services	827	1,552
Supplies and Materials	1,567	1,895
Total Pre-Kindergarten	95,601	80,886
 <u>Summer School</u>		
Salaries	0	6,365
Employee Benefits	0	1,276
Supplies and Materials	0	1,018
Total Summer School	0	8,659
 <u>Added Needs</u>		
<u>Special Education</u>		
Salaries	208,158	261,048
Employee Benefits	112,073	94,307
Purchased Services	1,667	5,450
Supplies and Materials	2,456	2,768
Total Special Education	324,354	363,573

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30,

	2006	2005
<u>Compensatory Education</u>		
Salaries	173,786	299,071
Employee Benefits	84,347	130,528
Purchased Services	11,241	4,203
Supplies and Materials	1,429	9,126
Total Compensatory Education	270,803	442,928
 <u>SUPPORTING SERVICES</u>		
<u>Pupil</u>		
<u>Guidance Services</u>		
<u>Regular Program</u>		
Salaries	22,008	28,289
Employee Benefits	12,734	10,010
Supplies and Materials	419	306
Total Guidance Services-Regular Program	35,161	38,605
 <u>Family School</u>		
Salaries	19,426	16,421
Employee Benefits	4,660	3,547
Purchased Services	1,085	373
Total Guidance Services-Family School	25,171	20,341
 <u>Other Pupil Services</u>		
Salaries	43,922	42,108
Employee Benefits	10,221	8,800
Purchased Services	0	9,976
Supplies and Materials	1,120	1,354
Total Other Pupil Services	55,263	62,238
 <u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Salaries	69,073	1,390
Employee Benefits	23,978	303
Purchased Services	93,727	5,321
Supplies and Materials	6,474	0
Total Improvement of Instruction	193,252	7,014
 <u>Educational Media Services</u>		
Salaries	47,671	37,841
Employee Benefits	27,965	23,697
Purchased Services	0	50

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30,

	2006	2005
Supplies and Materials	6,558	7,095
Capital Outlay	500	5,145
Total Educational Media Services	82,694	73,828
 <u>Technology Assisted Instruction</u>		
Salaries	43,000	39,330
Employee Benefits	21,294	18,197
Purchased Services	14,232	15,432
Supplies and Materials	43,034	23,474
Capital Outlay	33,575	12,679
Total Technology Assisted Instruction	155,135	109,112
 <u>Other Instructional Staff Services</u>		
Supplies and Materials	2,089	0
 <u>General Administration</u>		
<u>Board of Education</u>		
Purchased Services	54,457	53,681
Supplies and Materials	792	805
Other Expenses	2,990	2,908
Total Board of Education	58,239	57,394
 <u>Executive Administration</u>		
Salaries	128,983	138,392
Employee Benefits	55,696	54,203
Purchased Services	5,810	5,379
Supplies and Materials	4,269	4,903
Capital Outlay	0	84
Other Expense	4,748	4,407
Total Executive Administration	199,506	207,368
 <u>Office of the Principal</u>		
Salaries	219,847	291,231
Employee Benefits	117,249	158,138
Purchased Services	2,564	1,582
Supplies and Materials	2,572	3,532
Capital Outlay	550	15
Other Expenses	2,315	1,974
Total Office of the Principal	345,097	456,472

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30,

	2006	2005
<u>Business</u>		
<u>Fiscal Services</u>		
Salaries	35,325	31,890
Employee Benefits	23,629	22,018
Purchased Services	0	7,522
Supplies and Materials	2,408	1,493
Capital Outlay	600	0
Other Expenses	1,869	663
Total Fiscal Services	63,831	63,586
 <u>Other Business Services</u>		
Purchased Services	9,976	1,224
Other Expenses	15,463	13,458
Total Other Business Services	25,439	14,682
 <u>Operations and Maintenance</u>		
Salaries	125,530	137,475
Employee Benefits	83,432	88,153
Purchased Services	117,796	114,137
Supplies and Materials	138,684	142,567
Capital Outlay	549	65,529
Total Operation and Maintenance	465,991	547,861
 <u>Pupil Transportation Services</u>		
Salaries	177,820	164,654
Employee Benefits	100,057	105,063
Purchased Services	19,011	16,177
Supplies and Materials	92,589	69,342
Capital Outlay	124,272	0
Total Pupil Transportation Services	513,749	355,236
 <u>Other Support Services</u>		
Other Expense	0	18,500
 <u>Community Activities</u>		
Supplies and Materials	1,522	0

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>OTHER TRANSACTIONS</u>		
Prior Period Adjustments	24,726	0
Principal and Interest on Long Term Loans	5,251	3,746
Total Other Transactions	<u>29,977</u>	<u>3,746</u>
Total Expenditures	<u>5,503,931</u>	<u>5,439,928</u>
<u>OTHER FINANCING USES</u>		
Transfers Out		
School Service Funds		
Athletic Activities	124,945	116,337
Food Service	19,066	2,613
Capital Projects - 2005 Energy	3,438	0
Debt Fund - 2005 Energy	32,654	0
Total Other Financing Uses	<u>180,103</u>	<u>118,950</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,684,034</u>	<u>\$ 5,558,878</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2006  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	<u>TOTAL</u>	
			2006	2005
<u>ASSETS</u>				
Cash	\$ 1,081	\$ 16,704	\$ 17,785	\$ 8,850
Inventory	3,897	0	3,897	7,257
Investments	78	0	78	2,546
	<hr/>		<hr/>	
TOTAL ASSETS	<u>\$ 5,056</u>	<u>\$ 16,704</u>	<u>\$ 21,760</u>	<u>\$ 18,653</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 42	\$ 0	\$ 42	\$ 117
Due to Other Funds	6,578	0	6,578	2,897
	<hr/>		<hr/>	
Total Liabilities	<u>6,620</u>	<u>0</u>	<u>6,620</u>	<u>3,014</u>
<u>FUND BALANCE</u>				
Reserved for Inventory	3,897	0	3,897	7,257
Unreserved				
Designated for:				
Food Service and Athletic Activities - (Deficit)	(5,461)	16,704	11,243	8,382
	<hr/>		<hr/>	
Total Fund Balance - (Deficit)	<u>(1,564)</u>	<u>16,704</u>	<u>15,140</u>	<u>15,639</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>				
	<u>\$ 5,056</u>	<u>\$ 16,704</u>	<u>\$ 21,760</u>	<u>\$ 18,653</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	TOTAL	
			2006	2005
<u>REVENUES</u>				
Local Sources	\$ 50,723	\$ 44,563	\$ 95,286	\$ 99,913
State Sources	11,580	0	11,580	11,960
Federal Sources	145,642	0	145,642	133,941
Total Revenues	207,945	44,563	252,508	245,814
<u>EXPENDITURES</u>				
Salaries	76,506	86,852	163,358	158,054
Employee Benefits	46,776	20,619	67,395	60,171
Purchased Services	3,617	18,746	22,363	23,430
Supplies and Materials	91,435	9,433	100,868	104,590
Capital Outlay	18,805	5,197	24,002	7,573
Other Expense	955	18,077	19,032	16,221
Total Expenditures	238,094	158,924	397,018	370,039
Excess of Revenues Over (Under) Expenditures	(30,149)	(114,361)	(144,510)	(124,225)
<u>OTHER FINANCING SOURCES</u>				
Transfers In	19,066	124,945	144,011	118,950
Excess of Revenues and Other Sources Over (Under) Expenditures	(11,083)	10,584	(499)	(5,275)
<u>FUND BALANCE</u> - Beginning of Year	9,519	6,120	15,639	20,914
<u>FUND BALANCE</u> - End of Year - (Deficit)	\$ (1,564)	\$ 16,704	\$ 15,140	\$ 15,639

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 1,081	\$ 2,730
Inventory		
Supplies	0	843
Food	3,897	6,414
Investments	78	2,546
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 5,056</u>	<u>\$ 12,533</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 42	\$ 117
Due to Other Funds	6,578	2,897
	<hr/>	<hr/>
Total Liabilities	6,620	3,014
<u>FUND BALANCE</u>		
Reserved for Inventory	3,897	7,257
Unreserved		
Designated for Food Service - (Deficit)	(5,461)	2,262
	<hr/>	<hr/>
Total Fund Balance - (Deficit)	(1,564)	9,519
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,056</u>	<u>\$ 12,533</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

FOOD SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Earnings on Investments and Deposits	\$ 40	\$ 41	\$ 55
Food Sales	50,050	50,580	51,329
Miscellaneous	100	102	862
State Sources			
State Aid	10,819	11,580	11,960
Federal Sources			
Federal Aid	128,000	125,209	115,554
U.S.D.A. Commodities	17,731	20,433	18,387
Total Revenues	<u>206,740</u>	<u>207,945</u>	<u>198,147</u>
<u>EXPENDITURES</u>			
Salaries	76,550	76,506	74,925
Employee Benefits	49,947	46,776	44,363
Purchased Services	3,646	3,617	2,810
Supplies and Materials	88,969	91,435	85,349
Capital Outlay	15,050	18,805	2,933
Other Expenses	1,100	955	767
Total Expenditures	<u>235,262</u>	<u>238,094</u>	<u>211,147</u>
Excess of Revenues Over (Under) Expenditures	(28,522)	(30,149)	(13,000)
<u>OTHER FINANCING SOURCES</u>			
Transfers In - General Fund	19,400	19,066	2,613
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(9,122)	(11,083)	(10,387)
<u>FUND BALANCE</u> - Beginning of Year	<u>9,519</u>	<u>9,519</u>	<u>19,906</u>
<u>FUND BALANCE</u> - End of Year - (Deficit)	<u>\$ 397</u>	<u>\$ (1,564)</u>	<u>\$ 9,519</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
  
ATHLETIC ACTIVITIES FUND  
  
COMPARATIVE BALANCE SHEET  
JUNE 30,

	2006	2005
<u>ASSETS</u>		
Cash	\$ 16,704	\$ 6,120
	\$ 16,704	\$ 6,120
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for Athletic Activities	16,704	6,120
	16,704	6,120
 TOTAL LIABILITIES AND FUND BALANCE	\$ 16,704	\$ 6,120

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

ATHLETIC ACTIVITIES FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Admissions	\$ 25,000	\$ 20,511	\$ 25,498
Tournaments	1,000	6,964	1,718
Training Camps	1,500	1,633	0
Donations	0	428	1,828
Sales	3,800	3,025	7,675
Programs	1,000	37	700
Pay to Participate	6,700	6,700	0
Miscellaneous	500	5,265	10,248
	<hr/>	<hr/>	<hr/>
Total Revenues	39,500	44,563	47,667
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Salaries	88,264	86,852	83,129
Employee Benefits	21,175	20,619	15,808
Purchased Services	23,360	18,746	20,620
Supplies and Materials	14,790	9,433	19,241
Capital Outlay	5,000	5,197	4,640
Other Expense	20,350	18,077	15,454
	<hr/>	<hr/>	<hr/>
Total Expenditures	172,939	158,924	158,892
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	(133,439)	(114,361)	(111,225)
<u>OTHER FINANCING SOURCES</u>			
Transfers In - General Fund	140,000	124,945	116,337
	<hr/>	<hr/>	<hr/>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	6,561	10,584	5,112
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> ] - Beginning of Year	6,120	6,120	1,008
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> ] - End of Year	\$ 12,681	\$ 16,704	\$ 6,120
	<hr/>	<hr/>	<hr/>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING BALANCE SHEET  
JUNE 30,

	<u>BOND ISSUE OF</u>					<u>TOTALS</u>	
	<u>2000</u>	<u>2000</u> <u>REFUNDING</u>	<u>2005</u> <u>ENERGY</u>	<u>2006</u>	<u>2006</u> <u>REFUNDING</u>	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>							
Cash	\$ 33,324	\$ 88,130	\$ 55	\$ 73,281	\$ 46,450	\$ 241,240	\$ 162,003
Taxes Receivable	136	380	0	0	110	626	39
Due from Other Funds	0	0	0	0	0	0	14,634
 TOTAL ASSETS	 \$ 33,460	 \$ 88,510	 \$ 55	 \$ 73,281	 \$ 46,560	 \$ 241,866	 \$ 176,676
<u>LIABILITIES</u>							
Due to Other Funds	\$ 138	\$ 347	\$ 0	\$ 0	\$ 80	\$ 565	\$ 1,641
<u>FUND BALANCE</u>							
Reserved for Debt Retirement	33,322	88,163	55	73,281	46,480	241,301	175,035
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 33,460	 \$ 88,510	 \$ 55	 \$ 73,281	 \$ 46,560	 \$ 241,866	 \$ 176,676

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005

	BOND ISSUE OF						TOTALS	
	2000	2000 REFUNDING	1998 DURANT	2005 ENERGY	2006	2006 REFUNDING	2006	2005
<u>REVENUES</u>								
Local Sources								
Property Tax Levy	\$ 69,590	\$ 185,576	\$ 0	\$ 0	\$ 0	\$ 46,395	\$ 301,561	\$ 280,003
Earnings on Investments and Deposits	251	564	0	46	1,036	85	1,982	993
State Sources								
State Aid Restricted								
Nonplaintiff Durant Debt Service	0	0	4,248	0	0	0	4,248	0
Other Transactions								
Refund of Prior Year Taxes								
Previously Written Off	0	0	0	0	0	0	0	183
 Total Revenues	 69,841	 186,140	 4,248	 46	 1,036	 46,480	 307,791	 281,179
<u>EXPENDITURES</u>								
Redemption of Bonds	30,000	105,000	0	15,000	0	0	150,000	130,000
Interest on Debt	47,799	84,082	4,248	17,645	0	0	153,774	173,239
Paying Agent Dues and Fees	503	647	0	0	0	0	1,150	550
Bond Issuance Costs	0	0	0	0	0	28,709	28,709	0
Taxes Abated and Written Off	0	0	0	0	0	0	0	153
 Total Expenditures	 78,302	 189,729	 4,248	 32,645	 0	 28,709	 333,633	 303,942
 Excess of Revenues Over (Under) Expenditures	 (8,461)	 (3,589)	 0	 (32,599)	 1,036	 17,771	 (25,842)	 (22,763)

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005

	BOND ISSUE OF						TOTALS	
	2000	2000 REFUNDING	1998 DURANT	2005 ENERGY	2006	2006 REFUNDING	2006	2005
<u>OTHER FINANCING SOURCES (USES)</u>								
Debt Issuance	0	0	0	0	0	1,410,000	1,410,000	0
Bond Discount	0	0	0	0	0	(14,100)	(14,100)	0
Payment to Bond Refunding Escrow Agent	(41,500)	0	0	0	0	(1,367,191)	(1,408,691)	0
Transfers In	0	0	0	32,654	72,245	0	104,899	0
Total Other Financing Sources (Uses)	(41,500)	0	0	32,654	72,245	28,709	92,108	0
Net Change in Fund Balance	(49,961)	(3,589)	0	55	73,281	46,480	66,266	(23,363)
<u>FUND BALANCE</u> - Beginning of Year	83,283	91,752	0	0	0	0	175,035	198,398
<u>FUND BALANCE</u> - End of Year	\$ 33,322	\$ 88,163	\$ 0	\$ 55	\$ 73,281	\$ 46,480	\$ 241,301	\$ 175,035

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

CAPITAL PROJECTS FUND

COMBINING BALANCE SHEET  
JUNE 30, 2006

	2005	2006	<u>TOTAL</u>	
	<u>ENERGY</u>	<u>CAPITAL PROJECTS</u>	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 0	\$ 71,580
Interest Receivable	0	28,688	28,688	0
Investment	0	2,094,273	2,094,273	0
TOTAL ASSETS	<u>\$ 0</u>	<u>\$ 2,122,961</u>	<u>\$ 2,122,961</u>	<u>\$ 71,580</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 456,127	\$ 456,127	\$ 37,553
Retainage Payable	0	41,515	41,515	0
Total Liabilities	0	497,642	497,642	37,553
 <u>FUND BALANCE</u>				
Reserved for Capital Projects	0	1,625,319	1,625,319	34,027
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 0</u>	<u>\$ 2,122,961</u>	<u>\$ 2,122,961</u>	<u>\$ 37,553</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

CAPITAL PROJECTS FUND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2006

	2005	2006	<u>TOTAL</u>	
	<u>ENERGY</u>	<u>CAPITAL PROJECTS</u>	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>				
Local Sources				
Earnings on Investments and Deposits	\$ 87	\$ 41,668	\$ 41,755	\$ 648
<u>EXPENDITURES</u>				
Professional and Technical Services	37,552	186,586	224,138	341,621
Buildings and Improvements	0	468,718	468,718	0
Bond Issuance Costs	0	32,120	32,120	0
<b>TOTAL EXPENDITURES</b>	<b>37,552</b>	<b>687,424</b>	<b>724,976</b>	<b>341,621</b>
Excess of Revenues Over (Under) Expenditures	(37,465)	(645,756)	(683,221)	(340,973)
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond Issuance	0	2,365,000	2,365,000	375,000
Bond Discount	0	(21,680)	(21,680)	0
Transfers In (Out)	3,438	(72,245)	(68,807)	0
<b>Total Other Financing Sources (Uses)</b>	<b>3,438</b>	<b>2,271,075</b>	<b>2,274,513</b>	<b>375,000</b>
Net Change in Fund Balance	(34,027)	1,625,319	1,591,292	34,027
<u>FUND BALANCE</u> - Beginning of Year	34,027	0	34,027	0
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 1,625,319	\$ 1,625,319	\$ 34,027

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

	PRIVATE PURPOSE TRUST FUNDS						TOTALS	
	B. DEE DEE	WHITE-HELFRICH	DORALD L.	MILLIE	JENNIE P.	2006	2005	
	MANCHA-HAMMAR	LOAN FUND	SCHOLARSHIP	SCHOLARSHIP	OPPER			
	MEMORIAL		TRUST	TRUST	LOAN FUND			
<u>ASSETS</u>								
Cash	\$ 10	\$ 37,091	\$ 586	\$ 19,108	\$ 50	\$ 56,845	\$ 30,128	
Interest Receivable	0	12,345	0	0	387	12,732	11,512	
Scholarship Loans	0	72,360	0	0	8,500	80,860	98,849	
Investments	2,711	55,786	8,895	0	93,633	161,025	161,384	
<b>TOTAL ASSETS</b>	<b>\$ 2,721</b>	<b>\$ 177,582</b>	<b>\$ 9,481</b>	<b>\$ 19,108</b>	<b>\$ 102,570</b>	<b>\$ 311,462</b>	<b>\$ 301,873</b>	
<u>LIABILITIES AND NET ASSETS</u>								
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
<u>NET ASSETS</u>								
Reserved for								
Endowments	0	0	9,481	19,108	0	28,589	27,881	
Student Loans	0	177,582	0	0	102,570	280,152	270,377	
Student Scholarships	2,721	0	0	0	0	2,721	3,615	
Total Net Assets	2,721	177,582	9,481	19,108	102,570	311,462	301,873	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,721</b>	<b>\$ 177,582</b>	<b>\$ 9,481</b>	<b>\$ 19,108</b>	<b>\$ 102,570</b>	<b>\$ 311,462</b>	<b>\$ 301,873</b>	

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2006

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2005

	PRIVATE PURPOSE TRUST FUNDS					TOTALS	
	B. DEE DEE MANCHA - HAMMAR MEMORIAL	WHITE-HELFRICH LOAN FUND	DORALD L. GIDDINGS SCHOLARSHIP TRUST	MILLIE JONES SCHOLARSHIP TRUST	JENNIE P. OPPER LOAN FUND	2006	2005
<u>ADDITIONS</u>							
Earnings on							
Investments and Deposits	\$ 106	\$ 6,266	\$ 341	\$ 525	\$ 3,889	\$ 11,127	\$ 5,671
Donations and							
Endowments Received	0	0	0	0	0	0	18,500
Total Additions	106	6,266	341	\$ 525	3,889	11,127	24,171
<u>DEDUCTIONS</u>							
Scholarships	1,000	0	158	0	0	1,158	1,411
Bank Charges	0	185	0	0	195	380	220
Total Deductions	1,000	185	158	0	195	1,538	1,631
Changes in Net Assets	(894)	6,081	183	525	3,694	9,589	22,540
<u>NET ASSETS</u> - Beginning of Year	3,615	171,501	9,298	18,583	98,876	301,873	279,333
<u>NET ASSETS</u> - End of Year	\$ 2,721	\$ 177,582	\$ 9,481	\$ 19,108	\$ 102,570	\$ 311,462	\$ 301,873

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2006

	BALANCE 7/1/2005	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2006
<u>Elementary and Administrative</u>				
Band Resale-Elementary	\$ 28	\$ 70	\$ 40	\$ 58
Book Store	1,660	0	0	1,660
Elementary Book Fair	262	3,245	3,490	17
Elementary Paper and Administrative	6,777	20,527	17,298	10,006
Elementary Pop Account	1,200	1,088	1,529	759
Family School Coordinator	19	425	425	19
Interest Account	27,620	437	3,717	24,340
Interest and Service Charges	143	136	118	161
Osceola Community Foundation	0	2,499	2,460	39
Pencil and Paper	333	72	14	391
Ralph McCrimmon Library Donations	0	1,857	0	1,857
Total Elementary and Administrative	38,042	30,356	29,091	39,307
<u>High School</u>				
Band and Choir	1,514	5,487	6,214	787
Band Resale-High School	102	352	454	0
Class of 2003	175	0	175	0
Class of 2004	(395)	395	0	0
Class of 2005	(257)	257	0	0
Class of 2006	8,528	7,358	15,838	48
Class of 2007	6,706	13,834	8,278	12,262
Class of 2008	2,029	7,058	5,794	3,293
Class of 2009	0	2,324	1,345	979
Energy Grant	0	200	0	200
Miscellaneous Account	357	1,758	1,958	157
Shop	(272)	5,702	3,457	1,973
Spanish Club	309	2,291	2,419	181
Stuco	547	14,681	11,901	3,327
Student Activities	3,069	14,478	14,820	2,727
Students Against Drunk Driving	885	0	1,069	(184)
Varsity and Junior Varsity Boy's Basketball	0	1,108	1,157	(49)
Varsity and Junior Varsity Football	0	5,772	4,864	908
Varsity and Junior Varsity Girls' Basketball	0	700	521	179

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2006

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/1/2005	(Including Transfers)		6/30/2006
Varsity and Junior Varsity Girls' and Boys' Track	0	1,460	1,460	0
Varsity and Junior Varsity Softball	0	130	0	130
Varsity and Junior Varsity Volleyball	0	120	0	120
Varsity Cheerleaders	0	5,747	4,549	1,198
Yearbook	3,583	487	162	3,908
Donations	144	305	417	32
Total High School	27,024	92,004	86,852	32,176
Total Elementary, Administrative and High School	\$ 65,066	\$ 122,360	\$ 115,943	\$ 71,483
Represented By				
Assets				
Elementary and Administrative				
Cash	\$ 27,071			\$ 27,899
Investments	10,971			11,408
Total Elementary and Administrative	38,042			39,307
High School				
Cash	27,024			32,176
TOTAL ASSETS	\$ 65,066			\$ 71,483
Liabilities				
Due to Groups and Organizations	\$ 65,066			\$ 71,483

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
SCHEDULE OF 2005 TAX ROLL  
YEAR ENDED JUNE 30, 2006

	TAXABLE VALUATION	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
<u>GENERAL FUND ( 18.0000 MILLS)</u>				
<u>OSCEOLA COUNTY</u>				
Marion Township	\$ 9,701,718	\$ 174,631	\$ 153,449	\$ 21,182
Middle Branch Township	5,928,218	106,708	90,949	15,759
Highland Township	4,128,831	74,319	64,564	9,755
Sherman Township	1,724,615	31,043	28,022	3,021
Sylvan Township	319,690	5,754	5,747	7
Hartwick Township	10,680	192	192	0
Rose Lake Township	3,785	68	68	0
<u>CLARE COUNTY</u>				
Winterfield Township	27,796,683	500,340	482,361	17,979
Redding Township	10,552,499	189,945	170,292	19,653
	<u>\$ 60,166,719</u>	<u>\$ 1,083,000</u>	<u>\$ 995,644</u>	<u>\$ 87,356</u>
<u>2000 DEBT RETIREMENT FUND ( 0.6000 MILLS)</u>				
<u>OSCEOLA COUNTY</u>				
Marion Township	\$ 31,014,912	\$ 18,609	\$ 15,779	\$ 2,830
Middle Branch Township	15,797,476	9,478	8,054	1,424
Highland Township	12,691,858	7,615	6,482	1,133
Sherman Township	6,313,912	3,788	3,197	591
Sylvan Township	445,479	267	232	35
Hartwick Township	103,980	62	62	0
Rose Lake Township	59,516	36	36	0
<u>CLARE COUNTY</u>				
Winterfield Township	34,370,614	20,622	19,323	1,299
Redding Township	15,187,651	9,113	7,890	1,223
	<u>\$ 115,985,398</u>	<u>\$ 69,590</u>	<u>\$ 61,055</u>	<u>\$ 8,535</u>
<u>2000 REFUNDING DEBT RETIREMENT FUND ( 1.6000 MILLS)</u>				
<u>OSCEOLA COUNTY</u>				
Marion Township	\$ 31,014,912	\$ 49,624	\$ 42,078	\$ 7,546
Middle Branch Township	15,797,476	25,276	21,478	3,798
Highland Township	12,691,858	20,307	17,285	3,022
Sherman Township	6,313,912	10,102	8,527	1,575
Sylvan Township	445,479	713	620	93
Hartwick Township	103,980	166	166	0
Rose Lake Township	59,516	95	95	0
<u>CLARE COUNTY</u>				
Winterfield Township	34,370,614	54,993	51,529	3,464
Redding Township	15,187,651	24,300	21,039	3,261
	<u>\$ 115,985,398</u>	<u>\$ 185,576</u>	<u>\$ 162,817</u>	<u>\$ 22,759</u>
<u>2006 REFUNDING DEBT RETIREMENT FUND (0.4000 MILLS)</u>				
<u>OSCEOLA COUNTY</u>				
Marion Township	\$ 31,014,912	\$ 12,406	\$ 10,520	\$ 1,886
Middle Branch Township	15,797,476	6,319	5,369	950
Highland Township	12,691,858	5,077	4,321	756
Sherman Township	6,313,912	2,526	2,132	394
Sylvan Township	445,479	178	155	23
Hartwick Township	103,980	42	42	0
Rose Lake Township	59,516	24	24	0
<u>CLARE COUNTY</u>				
Winterfield Township	34,370,614	13,748	12,882	866
Redding Township	15,187,651	6,075	5,260	815
	<u>\$ 115,985,398</u>	<u>\$ 46,395</u>	<u>\$ 40,705</u>	<u>\$ 5,690</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

COMPARATIVE SCHEDULE OF INVESTMENTS  
JUNE 30,

	<u>2006</u>		<u>2005</u>	
	<u>RATE</u>	<u>AMOUNT</u>	<u>RATE</u>	<u>AMOUNT</u>
<u>GENERAL FUND</u>				
General Operating Account				
MILAF	3.11	\$1,371,458	2.63	\$ 886,447
<u>SPECIAL REVENUE (SCHOOL SERVICE) FUND</u>				
Food Service				
MILAF	3.11	78	2.63	2,546
<u>CAPITAL PROJECTS (2006) FUND</u>				
MILAF	Various	2,094,273		0
<u>FIDUCIARY FUNDS</u>				
MILAF	3.11	<u>172,433</u>	2.63	<u>172,355</u>
		<u>\$3,638,242</u>		<u>\$1,061,348</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
1998 BOND ISSUE - DURANT SETTLEMENT

JUNE 30, 2006

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond
<u>PURPOSE</u>	For purposes permitted in Section 1352(1) of Act-451, Public Acts of Michigan
<u>DATE OF ISSUE</u>	November 24, 1998
<u>INTEREST PAYABLE</u>	May 15th of each year
<u>AMOUNT OF ISSUE</u>	\$ 60,497
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 21,848
During Current Year	<u>0</u> <u>21,848</u>
<u>BALANCE OUTSTANDING - June 30, 2006</u>	<u>\$ 38,649</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 15, 2007	4.070 %	\$ 16,430	\$ 3,617	\$ 20,047
May 15, 2008	4.070 %	3,344	904	4,248
May 15, 2009	4.000 %	3,480	768	4,248
May 15, 2010	4.070 %	3,622	626	4,248
May 15, 2011	4.070 %	3,769	479	4,248
May 15, 2012	4.070 %	3,922	327	4,249
May 15, 2013	4.070 %	4,082	167	4,249
		<u>\$ 38,649</u>	<u>\$ 6,888</u>	<u>\$ 45,537</u>

REDEMPTIONS PRIOR TO MATURITY      This bond does not provide for redemption prior to maturity.

TAX LEVY FOR RETIREMENT OF BONDS      The revenues to redeem the 1998 Durant Settlement Bond issue come from yearly transfers of state aid from the State of Michigan. Therefore, no property taxes are levied by the School District to meet this debt obligation.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 SCHOOL BUILDING AND SITE BOND

JUNE 30, 2006

<u>TITLE OF ISSUE</u>	2000 School Building and Site Bond		
<u>PURPOSE</u>	Defray the cost of erecting, furnishing and equipping outdoor athletic/physical education fields and facilities for, and a weight/exercise room addition to, the Middle School/High School and development and improving the site.		
<u>DATE OF ISSUE</u>	August 1, 2000		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 1,675,000
<u>AMOUNT OF CURRENT ADVANCED</u>			
<u>REFUNDING OF DEBT ON JANUARY 9, 2006</u>			(1,325,000)
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$ 100,000	
During Current Year		<u>30,000</u>	<u>130,000</u>
<u>BALANCE OUTSTANDING - June 30, 2006</u>			<u>\$ 220,000</u>

<u>DUE DATES</u>	<u>INTEREST</u>		<u>Requirements</u>		
	<u>RATE</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2006				\$ 5,590	\$ 5,590
May 1, 2007	5.000	%	\$ 40,000	5,590	45,590
November 1, 2007				4,590	4,590
May 1, 2008	5.100	%	50,000	4,590	54,590
November 1, 2008				3,315	3,315
May 1, 2009	5.100	%	60,000	3,315	63,315
November 1, 2009				1,785	1,785
May 1, 2010	5.100	%	70,000	1,785	71,785
			<u>\$ 220,000</u>	<u>\$ 30,560</u>	<u>\$ 250,560</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 SCHOOL BUILDING AND SITE BOND

JUNE 30, 2006

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2011 are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2010, at part and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 REFUNDING BONDS

JUNE 30, 2006

<u>TITLE OF ISSUE</u>	2000 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds.		
<u>DATE OF ISSUE</u>	August 1, 2000		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 1,915,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$ 265,000	
During Current Year		105,000	370,000
<u>BALANCE OUTSTANDING - June 30, 2006</u>			<u>\$ 1,545,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2006			\$ 39,547	\$ 39,547
May 1, 2007	4.750 %	\$ 105,000	39,548	144,548
November 1, 2007			37,054	37,054
May 1, 2008	4.750 %	105,000	37,054	142,054
November 1, 2008			34,560	34,560
May 1, 2009	4.750 %	105,000	34,560	139,560
November 1, 2009			32,066	32,066
May 1, 2010	4.750 %	105,000	32,066	137,066
November 1, 2010			29,572	29,572
May 1, 2011	4.850 %	105,000	29,573	134,573
November 1, 2011			27,026	27,026
May 1, 2012	5.000 %	105,000	27,026	132,026
November 1, 2012			24,401	24,401
May 1, 2013	5.100 %	105,000	24,401	129,401
November 1, 2013			21,724	21,724
May 1, 2014	5.200 %	105,000	21,724	126,724

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 REFUNDING BONDS

JUNE 30, 2006

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2014			18,994	18,994
May 1, 2015	5.250 %	105,000	18,994	123,994
November 1, 2015			16,237	16,237
May 1, 2016	5.300 %	100,000	16,238	116,238
November 1, 2016			13,587	13,587
May 1, 2017	5.375 %	100,000	13,588	113,588
November 1, 2017			10,900	10,900
May 1, 2018	5.400 %	100,000	10,900	110,900
November 1, 2018			8,200	8,200
May 1, 2019	5.400 %	100,000	8,200	108,200
November 1, 2019			5,500	5,500
May 1, 2020	5.500 %	100,000	5,500	105,500
November 1, 2020			2,750	2,750
May 1, 2021	5.500 %	100,000	2,750	102,750
			<u>\$ 1,545,000</u>	<u>\$ 644,240</u>
				<u>\$ 2,189,240</u>

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2011 are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2010, at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the school District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2006

<u>TITLE OF ISSUE</u>	2005 Energy Conservation Improvement Bonds		
<u>PURPOSE</u>	The bonds are issued for the purpose of paying the cost of certain energy conservation projects for the District's facilities.		
<u>DATE OF ISSUE</u>	April 15, 2005		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 375,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$ 0	
During Current Year		<u>15,000</u>	<u>15,000</u>
<u>BALANCE OUTSTANDING - June 30, 2006</u>			<u><u>\$ 360,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2006			\$ 8,192	\$ 8,192
May 1, 2007	3.700 %	\$ 15,000	8,192	23,192
November 1, 2007			7,914	7,914
May 1, 2008	3.875 %	20,000	7,914	27,914
November 1, 2008			7,527	7,527
May 1, 2009	4.000 %	20,000	7,527	27,527
November 1, 2009			7,127	7,127
May 1, 2010	4.100 %	20,000	7,127	27,127
November 1, 2010			6,717	6,717
May 1, 2011	4.375 %	20,000	6,717	26,717
November 1, 2011			6,279	6,279
May 1, 2012	4.450 %	25,000	6,279	31,279
November 1, 2012			5,723	5,723
May 1, 2013	4.500 %	25,000	5,723	30,723
November 1, 2013			5,161	5,161
May 1, 2014	4.550 %	25,000	5,161	30,161

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2006

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2014			4,592	4,592
May 1, 2015	4.600 %	25,000	4,592	29,592
November 1, 2015			4,017	4,017
May 1, 2016	4.750 %	30,000	4,017	34,017
November 1, 2016			3,304	3,304
May 1, 2017	4.850 %	30,000	3,304	33,304
November 1, 2017			2,577	2,577
May 1, 2018	4.875 %	35,000	2,577	37,577
November 1, 2018			1,724	1,724
May 1, 2019	4.900 %	35,000	1,724	36,724
November 1, 2019			866	866
May 1, 2020	4.950 %	35,000	866	35,866
		<u>\$ 360,000</u>	<u>\$ 143,440</u>	<u>\$ 503,440</u>

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2016 are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2015, at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied within the constitutional and statutory tax limitations of the District.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 SCHOOL BUILDING AND SITE BOND

JUNE 30, 2006

<u>TITLE OF ISSUE</u>	2006 School Building and Site Bond		
<u>PURPOSE</u>	Partially remodeling school facilities; and developing and improving sites related to the remodeling.		
<u>DATE OF ISSUE</u>	January 26, 2006		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	2,365,000
Amount Redeemed Prior Years	\$	0	
Amount Redeemed During Current Year		0	0
			<hr/>
<u>BALANCE OUTSTANDING</u> - June 30, 2006		\$	<u>2,365,000</u>

<u>DUE DATES</u>	<u>INTEREST</u>	<u>Requirements</u>		
	<u>RATE</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2006			\$ 72,245	\$ 72,245
May 1, 2007	3.900 %	\$ 20,000	47,287	67,287
November 1, 2007			46,897	46,897
May 1, 2008	3.900 %	25,000	46,897	71,897
November 1, 2008			46,410	46,410
May 1, 2009	3.900 %	30,000	46,410	76,410
November 1, 2009			45,825	45,825
May 1, 2010	3.900 %	30,000	45,825	75,825
November 1, 2010			45,240	45,240
May 1, 2011	3.900 %	35,000	45,240	80,240
November 1, 2011			44,557	44,557
May 1, 2012	3.900 %	35,000	44,557	79,557
November 1, 2012			43,875	43,875
May 1, 2013	3.900 %	35,000	43,875	78,875
November 1, 2013			43,192	43,192
May 1, 2014	3.900 %	35,000	43,193	78,193
November 1, 2014			42,510	42,510

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 SCHOOL BUILDING AND SITE BOND

JUNE 30, 2006

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2015	3.900 %	35,000	42,510	77,510
November 1, 2015			41,828	41,828
May 1, 2016	3.900 %	40,000	41,828	81,828
November 1, 2016			41,048	41,048
May 1, 2017	3.900 %	45,000	41,048	86,048
November 1, 2017			40,170	40,170
May 1, 2018	3.900 %	50,000	40,170	90,170
November 1, 2018			39,195	39,195
May 1, 2019	3.900 %	60,000	39,195	99,195
November 1, 2019			38,025	38,025
May 1, 2020	3.900 %	80,000	38,025	118,025
November 1, 2020			36,465	36,465
May 1, 2021	3.900 %	260,000	36,465	296,465
November 1, 2021			31,395	31,395
May 1, 2022	4.000 %	375,000	31,395	406,395
November 1, 2022			23,895	23,895
May 1, 2023	4.000 %	385,000	23,895	408,895
November 1, 2023			16,195	16,195
May 1, 2024	4.100 %	390,000	16,195	406,195
November 1, 2024			8,200	8,200
May 1, 2025	4.100 %	400,000	8,200	408,200
		<u>\$ 2,365,000</u>	<u>\$ 1,469,377</u>	<u>\$ 3,834,377</u>

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTIONS PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing in the year 2020 and thereafter, shall be subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any payment occurring on or after May 1, 2015, at par and accrued interest to the date fixed for redemption.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 SCHOOL BUILDING AND SITE BOND

JUNE 30, 2006

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the school District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 REFUNDING BONDS

JUNE 30, 2006

<u>TITLE OF ISSUE</u>	2006 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds		
<u>DATE OF ISSUE</u>	January 26, 2006		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 1,410,000
Amount Redeemed Prior Years	\$	0	
Amount Redeemed During Current Year		<u>0</u>	<u>0</u>
<u>BALANCE OUTSTANDING - June 30, 2006</u>			<u>\$ 1,410,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2006			\$ 40,478	\$ 40,478
May 1, 2007	3.250 %	\$ 10,000	26,495	36,495
November 1, 2007			26,332	26,332
May 1, 2008	3.300 %	15,000	26,332	41,332
November 1, 2008			26,085	26,085
May 1, 2009	3.350 %	15,000	26,085	41,085
November 1, 2009			25,834	25,834
May 1, 2010	3.400 %	15,000	25,834	40,834
November 1, 2010			25,579	25,579
May 1, 2011	3.450 %	90,000	25,579	115,579
November 1, 2011			24,026	24,026
May 1, 2012	3.500 %	100,000	24,026	124,026
November 1, 2012			22,276	22,276
May 1, 2013	3.550 %	110,000	22,276	132,276
November 1, 2013			20,324	20,324
May 1, 2014	3.600 %	120,000	20,324	140,324
November 1, 2014			18,164	18,164
May 1, 2015	3.650 %	135,000	18,164	153,164
November 1, 2015			15,700	15,700

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 REFUNDING BONDS

JUNE 30, 2006

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2016	3.800 %	145,000	15,700	160,700
November 1, 2016			12,945	12,945
May 1, 2017	3.800 %	155,000	12,945	167,945
November 1, 2017			10,000	10,000
May 1, 2018	4.000 %	165,000	10,000	175,000
November 1, 2018			6,700	6,700
May 1, 2019	4.000 %	170,000	6,700	176,700
November 1, 2019			3,300	3,300
May 1, 2020	4.000 %	165,000	3,300	168,300
		<u>\$ 1,410,000</u>	<u>\$ 541,503</u>	<u>\$ 1,951,503</u>

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTIONS PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing in the year 2017 and thereafter, shall be subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any payment occurring on or after May 1, 2015 at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the school District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

**MARION PUBLIC SCHOOLS**

**MARION, MICHIGAN**

**SINGLE AUDIT**

**JUNE 30, 2006**

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SINGLE AUDIT  
YEAR ENDED JUNE 30, 2006

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134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

July 19, 2006

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Marion Public Schools  
Marion, Michigan

COMPLIANCE

We have audited the compliance of Marion Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Marion Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marion Public Schools' management. Our responsibility is to express an opinion on Marion Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marion Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marion Public Schools' compliance with those requirements.

In our opinion, Marion Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

## INTERNAL CONTROL OVER COMPLIANCE

The management of Marion Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Marion Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Marion Public Schools' ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition noted is described in the accompanying schedule of findings and questioned costs as item C, 2006-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described as item C, 2006-1 is a material weakness.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Public Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated July 19, 2006. Our audit was performed for the purpose of forming opinions on the financial statements the collectively comprise the Marion Public Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2005	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2006	ADJUSTMENTS
<b>U.S. Department of Education</b>								
Passed Through Michigan Department of Education (M.D.E.)								
Title I Grants to Local Education Agencies								
Project No. 051530-0405	84.010	\$ 261,248	\$ 140,057	\$ 261,248	\$ 0	\$ 140,057	\$ 0	\$ 0
Project No. 041530-0405	84.010	12,731	8,904	12,730	0	8,904	0	0
Project No. 051530-0506	84.010	17,314	0	0	17,314	17,314	0	0
Project No. 061530-0506	84.010	283,896	0	0	282,722	209,374	73,348	0
Total	84.010	\$ 575,189	\$ 148,961	\$ 273,978	\$ 300,036	\$ 375,649	\$ 73,348	\$ 0
Drug Free Schools and Communities								
Project No. 052860-0405	84.186	\$ 3,355	\$ 3,355	\$ 3,355	\$ 0	\$ 3,355	\$ 0	\$ 0
Project No. 052860-0506	84.186	3,673	0	0	3,673	3,572	101	0
Project No. 062860-0506	84.186	588	0	0	588	0	588	0
Total	84.186	\$ 7,616	\$ 3,355	\$ 3,355	\$ 4,261	\$ 6,927	\$ 689	\$ 0
Title V LEA Allocation								
Project No. 050250-0405	84.298	\$ 5,003	\$ 5,003	\$ 5,003	\$ 0	\$ 5,003	\$ 0	\$ 0
Project No. 040250-0405	84.298	12,401	12,401	12,401	0	12,401	0	0
Project No. 050250-0506	84.298	4,720	0	0	3,720	1,615	2,105	0
Project No. 060250-0506	84.298	5,944	0	0	2,201	2,158	43	0
Total	84.298	\$ 28,068	\$ 17,404	\$ 17,404	\$ 5,921	\$ 21,177	\$ 2,148	\$ 0
Technology Literacy Challenge Grants								
Project No. 054290-0405	84.318	\$ 2,272	\$ 18	\$ 2,272	\$ 0	\$ 18	\$ 0	\$ 0
Project No. 044290-0405	84.318	1,980	1,980	1,980	0	1,980	0	0
Project No. 054290-0506	84.318	4,807	0	0	3,922	973	2,949	0
Project No. 064290-0506	84.318	5,296	0	0	2,172	726	1,446	0
Total	84.318	\$ 14,355	\$ 1,998	\$ 4,252	\$ 6,094	\$ 3,697	\$ 4,395	\$ 0
Comprehensive School Reform Demonstration								
Project No. 041880-0405	84.332	\$ 101,595	\$ 7,936	\$ 56,701	\$ 44,654	\$ 52,830	\$ (240)	\$ 0
Project No. 041870-0506	84.332	29,313	0	0	29,313	29,313	0	0
Project No. 051870-0506	84.332	68,687	0	0	58,705	57,748	957	0
Total	84.332	\$ 199,595	\$ 7,936	\$ 56,701	\$ 132,672	\$ 139,891	\$ 717	\$ 0
Reading First State Grants								
Project No. 052930-050601	84.357	\$ 124,500	\$ 0	\$ 0	\$ 124,285	\$ 95,328	\$ 28,957	\$ 0
Rural and Low Income Schools								
Project No. 050660-0405	84.358	\$ 13,238	\$ 13,238	\$ 13,238	\$ 0	\$ 13,238	\$ 0	\$ 0
Project No. 040660-0405	84.358	21,906	21,906	21,906	0	21,906	0	0
Project No. 050660-0506	84.358	11,846	0	0	11,846	5,993	5,853	0
Project No. 060660-0506	84.358	22,351	0	0	2,766	2,601	165	0
Total	84.358	\$ 69,341	\$ 35,144	\$ 35,144	\$ 14,612	\$ 43,738	\$ 6,018	\$ 0

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2005	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2006	ADJUSTMENTS
<b>Improving Teacher Quality</b>								
Project No. 050520-0405	84.367	\$ 61,274	\$ 33,766	\$ 61,274	\$ 0	\$ 33,766	\$ 0	\$ 0
Project No. 040520-0405	84.367	11,271	10,800	11,271	0	10,800	0	0
Project No. 050520-0506	84.367	8,068	0	0	8,068	4,963	3,105	0
Project No. 060520-0506	84.367	67,654	0	0	67,654	48,553	19,101	0
Total	84.367	\$ 148,267	\$ 44,566	\$ 72,545	\$ 75,722	\$ 98,082	\$ 22,206	\$ 0
<b>Total U.S. Department of Education</b>		\$ 1,166,931	\$ 259,364	\$ 463,379	\$ 663,603	\$ 784,489	\$ 138,478	\$ 0
<b>U.S. Department of Health and Human Services</b>								
Passed Through Michigan Family Independence Agency								
Family Preservation and Support Services								
Project No. SFSC-04-67002-3	93.556	\$ 24,500	\$ 0	\$ 0	\$ 24,500	\$ 14,829	\$ 9,671	\$ 0
Project No. SFSC-05-67002	93.556	20,500	3,054	20,495	0	3,054	0	0
Total	93.556	\$ 45,000	\$ 3,054	\$ 20,495	\$ 24,500	\$ 17,883	\$ 9,671	\$ 0
Passed Through Wexford-Missaukee Intermediate School District (I.S.D.)								
Medicaid Outreach								
Project No. None	93.778	\$ 3,128	\$ 0	\$ 0	\$ 3,128	\$ 3,128	\$ 0	\$ 0
<b>Total U.S. Department of Health and Human Services</b>		\$ 48,128	\$ 3,054	\$ 20,495	\$ 27,628	\$ 21,011	\$ 9,671	\$ 0
<b>U.S. Department of Homeland Security</b>								
Passed Through Michigan State Police, Emergency Management Division								
2003 State Homeland Security Grant Program, Part II Equipment								
Project No. None	97.004	\$ 11,495	\$ 0	\$ 0	\$ 11,495	\$ 11,495	\$ 0	\$ 0
<b>U.S. Department of Agriculture</b>								
Passed Through Michigan Department of Education (M.D.E.)								
Child Nutrition Cluster								
National School Lunch								
Section 4 - Total Servings - 051950 and 061950	10.555	\$ 15,706	\$ 0	\$ 0	\$ 15,706	\$ 15,706	\$ 0	\$ 0
Section 11 - Total Servings - 051960 and 061960	10.555	86,397	0	0	86,397	86,397	0	0
Total	10.555	\$ 102,103	\$ 0	\$ 0	\$ 102,103	\$ 102,103	\$ 0	\$ 0
National School Lunch Breakfast Program								
051970 and 061970	10.553	\$ 23,106	\$ 0	\$ 0	\$ 23,106	\$ 23,106	\$ 0	\$ 0
<b>Total Child Nutrition Cluster</b>		\$ 125,209	\$ 0	\$ 0	\$ 125,209	\$ 125,209	\$ 0	\$ 0
Food Distribution								
Entitlement Commodities	10.550	\$ 11,321	\$ 0	\$ 0	\$ 18,571	\$ 18,571	\$ 0	\$ 0
Bonus Commodities	10.550	1,862	0	0	1,862	1,862	0	0
Total	10.550	\$ 13,183	\$ 0	\$ 0	\$ 20,433	\$ 20,433	\$ 0	\$ 0
Passed Through Clare County								
Schools and Roads								
National Forest Land	10.665	\$ 7,220	\$ 7,220	\$ 7,220	\$ 0	\$ 7,220	\$ 0	\$ 0
<b>Total U.S. Department of Agriculture</b>		\$ 145,612	\$ 7,220	\$ 7,220	\$ 145,642	\$ 152,862	\$ 0	\$ 0
<b>Total Federal Financial Assistance</b>		\$ 1,372,166	\$ 269,638	\$ 491,094	\$ 848,368	\$ 969,857	\$ 148,149	\$ 0

(C)

(B)

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2006 basic financial statements.

(B) Reconciliation of Grant Section Auditor's Report with Schedule of Expenditures of Federal Awards

Management has utilized the Grant Section Auditor's Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.

Current Cash Payments per Grant Section Auditor's Report dated June 30, 2006		\$676,647
Add Items Not on Grant Section Auditor's Report		
Amount Received as Pass Through from:		
Family Independence Agency		
Family Preservation and Support	17,883	
Michigan State Police, Emergency Management Division	11,495	
Clare County, Schools and Roads, National Forest Land	7,220	
Amounts Received Through Intermediate School District		
Medicaid Outreach	3,128	
Amounts Received as Payments in Kind		
Food Distribution Program		
Entitlement Commodities	18,571	
Bonus Commodities	<u>1,862</u>	60,159
Add Payments Shown on June 30, 2005 Grant Section Auditor's Report But Not Received Until July 1, 2005		235,851
Less Non-Federal Payments Reported in the Grant Section Auditor's Report:		
School Breakfast Program		
Non-Program Supv. Project No. 056320M-24		<u>(2,800)</u>
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards		<u><u>\$969,857</u></u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(C) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Federal Sources - Per Basic Financial Statements (Page 5)	\$ <u>848,368</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ <u>848,368</u>

134 WEST HARRIS STREET  
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CERTIFIED PUBLIC ACCOUNTANTS

July 19, 2006

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Marion Public Schools  
Marion, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Public Schools as of and for the year ended June 30, 2006, which collectively comprise the Marion Public Schools basic financial statements and have issued our report thereon dated July 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Marion Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect Marion Public Schools' ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item B.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item B to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Marion Public Schools in a separate letter dated July 19, 2006.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Marion Public Schools' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Finding 2005-1 (from the 2004/2005 fiscal year)

The District has a limited number of people involved in the accounting function due to financial constraints in allocating resources to this activity. This condition hampers the ability of the District to adequately segregate duties to enhance internal control.

The District is aware of this limitation and continues to explore cost effective measures to improve this internal control limitation.

This finding is repeated for the current fiscal year.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**A. Summary of Auditor's Results**

***Financial Statements***

Type of auditors' report issued:	Unqualified	
Reportable condition(s) identified:	<u>  X  </u> Yes	<u>      </u> No
Reportable condition(s) identified as material weakness(es)?	<u>  X  </u> Yes	<u>      </u> No
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No

***Federal Awards***

Internal control over major programs:		
Reportable condition(s) identified:	<u>  X  </u> Yes	<u>      </u> No
Reportable condition(s) identified as material weakness(es)?	<u>  X  </u> Yes	<u>      </u> No
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?	<u>  X  </u> Yes	<u>      </u> No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I - Improving Basic Programs
84.357	Reading First State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	<u>      </u> Yes	<u>  X  </u> No
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MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**B. Findings - Basic Financial Statements Audit**

Reportable Condition:

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The reportable condition noted above was also considered to be a material weakness.

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

QUESTIONED  
COSTS

2006-1 U.S. DEPARTMENT OF EDUCATION

N/A

Title I Program – CFDA No. 84.010  
Reading First State Grants – CFDA No. 84.357  
Passed Through Michigan Department of Education  
Project No. – All Projects  
Grant Period July 1, 2005 to June 30, 2006

Statement of Condition:

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties. This reportable condition was considered to be a material weakness.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

QUESTIONED  
COSTS

Criteria:

In an effort to utilize federal funds, expenditures to adequately segregate duties are not considered priority expenditure. Alternate means of internal control (budgets, grant reporting and management oversight) are considered to be an adequate substitute for segregation of duties in the overall internal control relative to federal program expenditures.

Effect:

Internal control limitation, but, as noted above, alternative procedures appear to provide an adequate replacement.

Cause:

Limited funds available.

Auditor Recommendation:

Additional staff assigned to the fiscal services department if funding for that position becomes available.

District Response:

Procedures for improvement will continue to be examined and, if practical, implemented.

2006-2 U.S. DEPARTMENT OF EDUCATION

N/A

Title 1 – CFDA No. 84.010  
Reading First State Grants – CFDA No. 84.357  
Passed Through Michigan Department of Education  
Project No. – All Projects  
Grant Period July 1, 2005 to June 30, 2006

Statement of Condition:

The District did not comply with OMB Circular A-87 regarding federal timekeeping requirements.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Criteria:

“Time/salaries spent working on federal programs must be documented for co-funded and 100% funded staff in compliance with OMB Circular A-87, Attachment B, Item 8h. Acceptable methods for co-funded staff include written schedules if they are documented by personnel activity reports (PARs) confirming that the schedules were followed (e.g., directors, secretaries, counselors). The PARs must be prepared at least monthly, be signed and dated by the employee, and account for the staff person’s total activity. Time sheets and other records should be completed after-the-fact. Employees should never guess the amount of hours they will spend on federal programs before work is actually performed.”

“Instructional staff may use their lesson plans to confirm that their written schedules were followed if: (1) after-the-fact notes are made on those plans to indicate the completion of each scheduled activity; (2) the lesson plans account for the total time the employee is compensated; (3) the lesson plans are prepared at least monthly and coincide with one or more pay periods; and (4) the completed lesson plans are signed by the employee. If a district elects to use this method, it must retain the lesson plans as timekeeping records.”

“Para professionals may use their regular time sheets as long as they; 9a) reflect an after the fact distribution of their actual activity, (b) account for the total activity for which they are compensated, showing the hours or percentages for the programs they worked on, (c) are prepared at lease monthly and coincide with one or more pay periods, and (d) are signed by the employee.”

“OMB Circular A-87 requires that when employees are expected to work solely on a single federal award or cost objective, charges for their salaries will be supported by periodic certifications that the employees worked solely on that program for the semi-annual period covered by the certification. These certifications must be prepared at least semi-annually and be signed by the employee or a supervisor with first-hand knowledge of the work performed by the employee. If a supervisor has first-hand knowledge of work performed by several employees each working on a single cost objective, the supervisor can use a blanket certification that lists all of the employees, the program that they worked on and the period covered. One supervisory signature would be adequate.”

Effect:

Without the required certifications and timekeeping support, the District has increased the risk that federal funds may be expended on non-federal expenditures. We however, did not note any unallowable expenditures of this type occurring.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Cause:

The District was not aware of the requirements to obtain the required timekeeping documents on federal funded positions.

Auditor Recommendation:

The District should obtain the required certifications set forth by OMB Circular A-87.

District Response:

The District will immediately begin to comply with this requirement.

# Marion Public Schools

## ADMINISTRATION

**Charles H. Chase**  
Superintendent

**Diana Salisbury**  
Personnel Director

**Katrina Bontekoe**  
Finance Director

**Larry Johnson**  
High School Principal

**Danyel Prielipp**  
Athletic Director

**Greg Mikulich**  
Elementary Principal

**Mike Hodges**  
Technology Director

**Brad Sikkema**  
Transportation Director

## BOARD OF EDUCATION

**Chris McCrimmon**  
President

**Bruce Tower**  
Vice President

**Judith Grandy**  
Treasurer

**Christie Prielipp**  
Secretary

**Alicia Michell**  
Trustee

**Scott Downing**  
Trustee

**Al Fox**  
Trustee

Corrective Action Plan

For findings related to the June 30, 2006 year end.

2006-1

Inadequate segregation of duties.

In an effort to utilize federal funds, expenditures to adequately segregate duties are not considered a priority expenditure. Alternative means of internal control (budgets, grant reporting and management oversight) are considered to be an adequate substitute for segregation of duties in the overall internal control relative to federal program expenditures. Procedures for improvement will continue to be examined and, if practical, implemented.

2006-2

Lack of timekeeping documentation and certification for federally co-funded and 100% federally funded employees.

The District was not aware of this requirement and will immediately comply with it by keeping the required timekeeping documents and obtaining necessary certifications.

Contact Information:



Charles Chase, Superintendent  
Marion Public Schools  
501 West Main Street  
Marion, MI 49665

510 W. Main Street • P.O. Box O • Marion, Michigan 49665  
Telephone: 231-743-2486 Fax: 231-743-2890  
[www.marionpublic.org](http://www.marionpublic.org)

134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER., C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P. C.*

CERTIFIED PUBLIC ACCOUNTANTS

July 19, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education  
Marion Public Schools  
Marion, Michigan

Dear Members of the Board of Education:

We have completed our audit of the basic financial statements of the Marion Public Schools for the fiscal year ended June 30, 2006, and would like to comment on the following items relative to the management and accounting records/procedures of the School District:

Budgeting

The District did a much better job of budgeting during the year in the General Fund. One function exceeded appropriations in the amount of \$2,409. All other functions we within budget. Additionally, Food Service expenditures exceeded appropriations by \$2,832.

The Michigan Department of Education is working towards various policy adjustments in regards to budget violations and are considering retroactive implementation of these policies to the 2004-2005 and the 2005-2006 fiscal years.

Specifically, the Department will be focusing on a couple of significant areas as it relates to the General Fund.

1. Total Expenditure violations that exceed 1% of the Total Expenditures budget.
2. Total Other Financing Uses violations that exceed 1% of the Total Other Financing Uses budget.

A budget violation would include incurring expenditures in excess of the approved appropriation, ending the fiscal year with a deficit fund balance or adopting a budget that would result in a deficit fund balance.

The Department is also considering that a violation for the 2005-2006 fiscal year may also include a situation where the District did not achieve their full revenue budget and, at the same time, depleted the district fund balance beyond what had been approved.

These proposed policy adjustments will place a renewed importance on the need to monitor the budget process very closely.

We recommend the District review the 2006-2007 budget to make sure that actual revenues will be greater than budgeted revenues, that actual expenditures by function will not be greater than appropriated and that a negative fund balance is not budgeted.

In addition, the conference agreement relative to the 2006-2007 state school aid act reached July 12, 2006 includes a provision that will require the District to begin posting the annual operating budget as well as subsequent budget amendments on the website for the District. It is expected that this requirement will become effective October 1, 2006. As a result, the District should begin preparing to meet this new requirement.

### ISD Funding

During our audit, we noticed that ISD funding of Medicaid Caseload Coordination had been eliminated. We recommend the District complete the necessary paperwork to generate this additional revenue source.

### Food Service Fund

Last year we were told the District was implementing new Food Service software to provide the District better data to evaluate changes from year to year. This software was not implemented until the latter part of the year. The meal counts and lunch revenues did not have the relationship we expected, but reliable data was not available to perform additional testing. Overall, the deviation of actual results from expected results was immaterial to the financial statements, but should be addressed, because it could indicate a systemic problem within the Food Service fund. Additionally, we recommend that the District continue to investigate methods of strengthening internal controls over food service fund receipts and well as controlling food costs.

Also, the Food Service fund ended the year with a deficit fund balance of \$1,564. The District is not allowed to have a deficit fund balance, and must correct this situation.

### Internal Controls

The management of the District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles in the United States. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The limited number of employees available to handle cash and account for transactions makes it unfeasible to have an adequate separation of duties. This condition results in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the District may occur and not be detected within a timely period.

We recommend the Board remain aware of this situation and periodically evaluate the cost vs. benefit of adding additional staff to correct this internal control limitation.

#### Construction Project

We have reconciled amounts spent as of June 30, 2006 to the report from Lakewood Inc. and found all amounts reconcile. We recommend that the business office at the District continue to coordinate and reconcile to Lakewood, Inc. reports monthly, to ensure both parties know exactly how much has been spent. Additionally, at the end of the project, the District will be required to have a Bond Audit. We will coordinate with the business office to schedule the audit within the time frame set forth by the Michigan Department of Treasury.

#### Athletic Activities Internal Controls

The District should consider methods to strengthen its internal controls over revenues received from admissions. We have suggested certain low cost accounting techniques to the business office related to this topic and urge the District to consider implementation of these additional controls. Our suggestion last year was to use pre-numbered tickets and perform a reconciliation of ticket sales to bank deposits after each event. The District did not implement this recommendation. We again recommend that some method be implemented to account for athletic activity admissions.

We sincerely thank the Board for awarding this firm the audit assignment. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please feel free to contact us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*